Comment w/c 2nd October

The free market under pressure

Jeremy Corbyn's and John McDonald's assault on the free market had stirred the imagination of many, and undoubtedly prompted its robust defence by Theresa May at the Bank of England last Thursday (you'll find her full, uninterrupted speech on Share Radio's homepage). But while she spoke eloquently of the economic merits of the free market there is much more to be said if we are to address its flaws, so that it works as she intends 'for the benefit of everyone in our society'.

The free market embodies many perspectives: open competition, prices responding to supply and demand, enterprise - but also excess and self-interest, it cannot be denied. And at its heart is the free ownership of capital - or is it so free? Because, to the extent that it is owned by individuals it is excessively concentrated and, to the extent that it is owned by institutions, it carries no meaning to the general public, no sense of ownership - and therefore no reason why people should feel responsible for its well-being.

Excess intermediation kills off that vital link between ownership and responsibility - whether it's by financial institutions or the state. By concentrating the power to steer these great engines of economic growth away from the people that they serve and employ, we must expect that those people will eventually bite the hand of those who expropriate the power - whether they are financial institutions or socialist governments.

That is why we must disintermediate. Margaret Thatcher understood this and was right to espouse popular capitalism, but she didn't go nearly far enough. And she did not establish within it any intergenerational re-balancing such as our Incentivised Learning concept in order to keep an egalitarian character as part of individual capitalism (although I did write to her proposing 'Popular Inheritance' in 1987, and got a full reply from her).

There were some serious flaws in her great initiative of the 1980s and 1990s. Too often the public issue of shares was seen as a booster for institutional demand. There was no education of business leaders about the merits of having a large personal shareholder base. And too often those new personal shareowners were just left on registers, having no-one to help develop their early interest in equity ownership.

But, in spite of all these flaws, there was still an immense public interest, genuine participation. And it's as relevant today as it was thirty years ago.

There's a saying at The Share Centre , which has just won a major customer experience award, of 'More People Enjoying Straightforward Investing'. This speaks volumes about that participation. It's to be seen in the thousands of investment clubs, representing tens of thousands of people. It's to be found in investors' active interest in company news, research and shareholder benefits. And it's why corporate governance reforms remain a priority, notwithstanding the significant advances which were made with the Companies Act 2006.

But most of all it's in the link between ownership and responsibility. If someone owns a house, they care for it: rented houses are at the mercy of their landlords. And so it is with businesses - if people feel no sense of ownership, is it surprising that they feel excluded from the wheels of power?

And this is why we need to return to the drawing board in order to reduce the dominance of institutional intermediation and revitalise individual share ownership. Otherwise we'll get state intermediation in its place, and we'll have only ourselves to blame.